

June 2015/10

Special initiative

Invitation to bid

Submissions should be made by
noon on Monday 28 September

This publication sets out our method for the review of institution-specific funding, informed by responses from the sector. It outlines both eligibility criteria and the process for submitting to the review.

Institution-specific funding

Circular letter outcomes and invitation to make a submission

Institution-specific funding: Circular letter outcomes and invitation to make a submission

To	Heads of HEFCE-funded higher education institutions Heads of HEFCE-funded further education colleges
Of interest to those responsible for	Senior management, Finance, Planning
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Executive summary

Purpose

1. This publication sets out our method for the review of institution-specific funding, informed by responses from the sector. It outlines both eligibility criteria and the process for submitting to the review.

Key points

2. Institution-specific funding is additional and discretionary funding currently provided by HEFCE to a subset of HEFCE-funded higher education institutions. It is intended to recognise the higher cost and distinctive nature of specialist higher education providers. These allocations are being reviewed in 2015 to ensure that the funding goes to support and enhance specialist institutions where they are providing world-leading teaching.

3. Our proposals for the review, as outlined in HEFCE Circular letter 06/2015, received broad agreement. Minor amendments have been agreed by the HEFCE Board and are reflected in this document.

4. Institutions which satisfy Criterion A are invited to make a submission by requesting a submission form from specialist@hefce.ac.uk. Eligibility criteria and the process for the review are outlined at paragraphs 10 to 30.

Action required

5. The deadline for return of submissions from institutions satisfying Criterion A is **noon on Monday 28 September**.

Background

6. Institution-specific funding is additional and discretionary funding currently provided by HEFCE to a subset of HEFCE-funded higher education institutions. It is intended to recognise the higher cost and distinctive nature of specialist higher education providers.

7. The funding has been subject to five major reviews since its introduction. In 2012, the last review, chaired by Professor Dame Shirley Pearce CBE, recommended that a fundamental re-examination of this targeted allocation should take place in 2015.

8. This 2015 review is expected to inform allocations for 2016-17 onwards. While we believe that there is a strong case for this funding to continue, we cannot presume that this area will be identified as one of the Government's priorities, nor that funding will be available. The review is beginning at this stage to allow sufficient time to consider which specialist institutions should receive an allocation, presuming funds are available.

9. In HEFCE Circular letter 06/2015, sent in March 2015, we outlined proposals for the review, which were open to comment from the sector. A summary of responses is included at Annex B. The HEFCE Board has considered this feedback and made decisions that inform the guidance for the review.

Criteria and process for the review

10. For this review, institutions must satisfy all of the criteria described in Table 1.

Table 1: Criteria for the review of institution-specific funding

Criterion A
At least 60 per cent of the institution's activity is concentrated in either: <ul style="list-style-type: none">• one Higher Education Statistics Agency (HESA) student cost centre• one HESA academic staff cost centre.
Criterion B
The institution's costs of teaching are significantly, and justifiably, higher than can reasonably be met through other means.
Criterion C
All reasonable measures are being taken by the institution to meet higher costs through effective management and income generation.
Criterion D
The institution has a genuine and consistent reputation within its peer group for providing world-leading teaching and requires support at least to maintain this position, but ideally to improve it further. This should be demonstrated through: <ul style="list-style-type: none">a. The knowledge and skills of the institution's graduates, and the impact they have on the professions and industries for which they have been prepared, are recognised by comparable institutions, employers, external funders and others as world-leading.

- b. The institution, its students, graduates and teaching practitioners are maintaining world-leading developments in their particular specialisms, or creating the new industries or art forms of the future.

Concentration of provision

11. Institution-specific funding is intended to support world-leading teaching at **specialist** institutions. Concentration in a single academic cost centre allows a focus on institutions with highly specialised provision. Therefore, institutions must satisfy Criterion A below.

Criterion A
At least 60 per cent of the institution's activity is concentrated in either: <ul style="list-style-type: none">• one HESA student cost centre• one HESA academic staff cost centre.

Process for assessment

12. For this criterion, we have considered HESA's student data for 2012-13 and 2013-14¹. Concentration of academic staff has been considered on the basis of data reported in the HESA staff record collections for 2012-13 and 2013-14². The average proportion of activity returned for these years has then been calculated. Where institutions do not have the relevant data, we have used comparable information about concentration of provision from the Individualised Learner Record.

13. Institutions that we consider to satisfy Criterion A are listed at Annex A. If you consider that your institution satisfies Criterion A but it is not listed, contact your HEFCE Regional Consultant.

Justifiably higher costs and efforts to reduce cost

14. We want to understand the teaching costs across the whole institution and the means by which they are met. We want to see the best evidence that can be provided that costs are necessarily high, that the institution is making all reasonable efforts to meet them through effective management and income generation, and that any further public funding provided through this review would make a critical contribution to meeting them. Institutions must thus satisfy Criteria B and C below.

Criterion B
The institution's costs of teaching are significantly, and justifiably, higher than can reasonably be met through other means.

¹ Full-time equivalents (FTEs) relate to UK and other European Union domiciled undergraduate and postgraduate students in 2012-13 and 2013-14 (excluding non completions and including fundable and non-fundable; undergraduates, postgraduate taught students and postgraduate research students; across full- and part-time study; in any year of their programme of study).

² Standard academic staff population (excluding atypical staff but including low FTE staff).

Criterion C
All reasonable measures are being taken by the institution to meet higher costs through effective management and income generation.

Process for assessment

15. Institutions that satisfy Criterion A will be able to request a submission form for completion. HEFCE will pre-populate this submission form with the following financial information (where available):

- publicly funded teaching costs per 2013-14 Transparent Approach to Costing (TRAC) return
- publicly funded teaching costs inflated to 2015-16 prices
- 2015-16 teaching funding from HEFCE, the National College for Teaching and Leadership and the Skills Funding Agency
- 2015-16 fee income
- total funding and fee income
- percentage of teaching costs covered by fee income and funding
- 2015-16 institution-specific targeted allocation
- percentage of cost covered by fee income and funding **excluding** institution-specific targeted allocation.

16. Other sources of information already held by HEFCE include annual accountability returns, value for money reports and the Procurement Efficiency Measurement Model survey. We will ask institutions that do not have TRAC returns to submit comparable information. If institutions have not submitted value for money reports in the December 2014 annual accountability return, we will ask for these to be sent separately.

17. In their submissions, institutions will be asked to comment on and contextualise the evidence provided in the form about the gap between their high costs and their ability to meet them. We will expect commentary on:

- evidence that teaching costs are necessarily high
- evidence that the institution is making all reasonable efforts to meet them through effective management and income generation
- evidence that any further public funding that might be provided through this review would make a critical contribution to meeting them.

18. HEFCE officers will conduct a technical review of these statements and the related data and information sources described above. At least two HEFCE officers will assess each submission independently. These assessors will be asked to state whether or not an institution has satisfied Criteria B and C. Following initial assessment, a moderation group of all assessors, chaired by a senior HEFCE officer who has not been involved in the process, will meet to ensure consistency. The review panel will receive the decisions about whether or not institutions have satisfied Criteria B and C.

World-leading teaching outputs

19. The HEFCE Board has agreed that the purpose of institution-specific targeted allocations should be to support and enhance specialist institutions where they are providing world-leading teaching. We need credible evidence that institutions are operating at this level. Thus institutions must satisfy Criterion D.

Criterion D
<p>The institution has a genuine and consistent reputation within its peer group for providing world-leading teaching and requires support at least to maintain this position, but ideally to improve it further. This should be demonstrated through:</p> <ul style="list-style-type: none">a. The knowledge and skills of the institution's graduates, and the impact they have on the professions and industries for which they have been prepared, are recognised by comparable institutions, employers, external funders and others as world-leading.b. The institution, its students, graduates and teaching practitioners are maintaining world-leading developments in their particular specialisms, or creating the new industries or art forms of the future.

Process for assessment

20. In the submission form institutions will be asked to give evidence that they provide world-leading teaching outputs. These submissions will be considered by a review panel of independent members, drawn from those with experience of leading specialist institutions outside England and those with an international overview of the fields in which these institutions operate. The review panel will make recommendations to the HEFCE Board about whether institutions satisfy Criterion D.

21. The review panel will consider the evidence described in Table 2 to recommend institutions as satisfying Criterion D. Therefore, institutions will be asked to cover these areas in their submissions.

Table 2: Evidence to be considered by review panel

Student outcomes	<p>The professional roles, influence and recognition that graduates have had in the industries and disciplines for which they have been prepared.</p> <p>The distinctive value that institutions add to their students and the type of impact that they prepare their students to make in their professional lives.</p>
Learning environment	<p>A track record of positive innovation, making use of and creating new technology and techniques.</p> <p>Interaction with research, both at the forefront of the discipline and with specific reference to pedagogy.</p> <p>The processes and metrics used to record quality and act on this data to improve performance.</p>
Wider impact	<p>The standing of teaching practitioners (for instance, recruitment of staff who are currently leading practitioners in their field).</p> <p>The reputation of teaching programmes (for instance, whether the institution's learning processes, pedagogy and curricula have been an essential point of reference for peer institutions).</p> <p>Independent and peer reviewed indicators of esteem (for instance, awards from relevant connected industries).</p> <p>Teaching outputs from the institution that have created the new industries or art forms of the future.</p> <p>Success in internationally competitive environments (for instance international exhibitions and grants).</p>

22. The review panel would expect to see a mixture of quantitative and qualitative information in submissions. Evidence of teaching outputs' impact does not need to be located overseas to be deemed world-leading, but it must have resonance with peers in other countries and external organisations.

23. We will ask institutions to provide us with three named referees able to provide a view on the extent to which the institution meets Criterion D. The submission should give their contact details and identify why they are regarded as well qualified to provide advice. HEFCE expects to contact at least one referee for each institution that makes a submission, and may seek additional independent opinion. We will provide referees with the information published here about Criterion D.

24. The review panel may seek clarification from institutions on factual elements of the submission, but will not collect or use additional information. Appendices should not be provided. Where the review panel does not consider itself sufficiently informed on a subject area, it will seek specific advice from associate panel members. Associate panel members will be drawn from those in relevant discipline areas with similar experience and roles to the review panel. Their recommendations will be considered by the review panel, which will make the final

recommendation to the HEFCE Board. To avoid duplication, we will contact associate panel members once we have received names of referees from institutions.

Terms of reference for the review panel

25. Professor Sir Christopher Frayling will chair the review panel, following these terms of reference:

- a. To receive written submissions from institutions that are eligible to apply for institution-specific funding.
- b. To consider each submission according to published criteria for world-leading teaching outputs, as outlined in this document.
- c. To make recommendations to the HEFCE Board as to which institutions meet the criteria. The HEFCE Board will make final decisions about which institutions should receive an institution-specific allocation for 2016-17 onwards (presuming funding is available).
- d. To advise the HEFCE Executive and Board about communications for the review.

26. The review panel will not be asked to advise on or make funding proposals for each institution. It will be for HEFCE, via its Board, to determine the method and level of funding to be allocated to the institutions identified as qualifying, in the light of the funding available at the time.

27. The HEFCE Board will be provided with information assuring it that the review panel's recommendations:

- are consistent with the published guidance
- take into account all the relevant evidence
- do not take into account any irrelevant factors
- are free from prejudice or bias.

28. Annex C lists those that have agreed to become part of the review panel and associate panel members. This list may change if the availability of panel members changes.

To apply

29. Institutions that we consider to satisfy Criterion A, and that are therefore eligible to receive a submission form, are listed at Annex A. If you consider that your institution satisfies Criterion A but it is not listed, contact your HEFCE Regional Consultant.

30. Institutions that satisfy Criterion A and wish to apply should email specialist@hefce.ac.uk to receive a submission form, which will include:

- supporting financial information held by HEFCE, where available
- a template for institutional self-assessments for Criteria B and C
- a template for institutional self-assessments for Criterion D.

Appeals

31. Institutions will be able to appeal if they consider that we have not followed these published processes for the review. However, the review panel's recommendations are not subject to appeal. Any appeals relating to the process will be considered by a separate group of HEFCE

staff, who will make recommendations to the Chief Executive. The Chief Executive will decide, under authority delegated by the HEFCE Board, whether or not to accept an appeal, in whole or part, and will agree any consequent action. Deadlines for appeals will be communicated when review outcomes are shared.

Timetable

32. The timetable for the review is outlined in Table 3. Note that notification of allocation outcomes is dependent on government priorities and the availability of funding.

Table 3: Timetable for the review of institution-specific funding

Date	Activity
June to July 2015	HEFCE sends submission forms to institutions that satisfy Criterion A.
28 September 2015	Deadline for submissions to review of institution-specific funding.
July to October 2015	HEFCE staff conduct technical review of submissions under Criterion B and C.
October to November 2015	Review panel assesses submissions under Criterion D, and considers advice on Criterion B and C. Review panel makes recommendations to HEFCE Board on which institutions have met the criteria.
December 2015 or January 2016	HEFCE Board considers review panel's recommendations and decides final outcomes.
December or January 2016	Institutions notified of review outcomes.
March 2016	Subject to funds being available, institutions notified of funding allocations.

Annex A: Institutions' eligibility

Institutions that we consider to satisfy Criterion A are listed below. If you consider that your institution should be listed, contact your Regional Consultant.

Bishop Grosseteste University
Courtauld Institute of Art
Cranfield University
Guildhall School of Music & Drama
Harper Adams University
Heythrop College
Leeds College of Art
Liverpool School of Tropical Medicine
London Business School
London School of Hygiene and Tropical Medicine
National Film and Television School
Norwich University of the Arts
Plymouth College of Art
Ravensbourne
Rose Bruford College
Royal Northern College of Music
St. George's, University of London
The Conservatoire for Dance and Drama
The Institute of Cancer Research
The Liverpool Institute for Performing Arts
The Royal Academy of Music
The Royal Central School of Speech and Drama
The Royal College of Art
The Royal College of Music
The Royal Veterinary College
Trinity Laban Conservatoire of Music and Dance Ltd
University College Birmingham
University for the Creative Arts
University of the Arts, London
Writtle College

Annex B: Summary of responses to circular letter

1. On 24 March 2015, we sent a HEFCE Circular letter 06/2015 to higher education institutions and further education colleges, requesting feedback on our proposed approach to the review.
2. We received 23 official responses to the circular letter. Of these, 21 were from higher education institutions, 16 of which currently receive institution-specific funding, and two were from sector bodies. No further education colleges responded. The HEFCE Board has discussed the outcome of the consultation and agreed how to respond.
3. There was general support for the proposed approach for the review. However, nine respondents felt that the initial eligibility criteria for submitting to the review were too narrow. This was particularly focused on the proposed Criterion A: that institutions should have a student concentration of 60 per cent or more in one cost centre. A number of alternatives were proposed by individual institutions, including:
 - also considering staff concentration
 - removal of postgraduate research students from the population of students considered
 - use of Joint Academic Coding Systems (JACS) code as an alternative to Higher Education Statistics Agency cost centre
 - amending the threshold to have a flexibility of 5 per cent (and thus allowing 55 per cent or more of provision in one cost centre)
 - removing criterion A as an initial filter.
4. Having considered the suggested alternatives, the HEFCE Board agreed that there is a compelling case for allowing institutions to submit to the review if 60 per cent or more of their provision is in one cost centre based on **either** students or staff. This gives additional understanding about the nature of provision at institutions.
5. Other proposals were discounted on the following grounds:
 - a. While the purpose of institution-specific funding is to support teaching, the analysis of student concentration seeks to give a broad picture of an institution's provision. Removing postgraduate research students from the population under consideration would narrow the focus, and potentially miss important activity. When also considering the impact of staff concentration (as recommended above), the concentration of research-intensive institutions' activity becomes more apparent, and the effect on eligibility of including postgraduate research students is diminished.
 - b. Subject coding and the JACS system are being reviewed, and the proposed system under consultation 'represents a significant step away from the JACS system'³. Therefore,

³ Higher Education Data and Information Improvement Programme subject coding consultation: www.hediip.ac.uk/subject_coding.

we do not believe that JACS codes would provide a reliable and long-term measure for concentration of provision.

c. It is our considered response that either removing Criterion A or adding flexibility to the threshold would not provide adequate means for identifying specialist institutions.

Concentration in a single cost centre at a level of 60 per cent suggests highly specialised provision. It is the HEFCE Board's intention for institution-specific funding to support and enhance institutions of this type where they are providing world-leading teaching.

6. Other comments in response to the circular letter were largely requests for clarification about how assessments would be made of 'world-leading' teaching outputs, evidence of higher costs and efforts to manage costs effectively.

7. A concern expressed by four respondents was that the methods identified would not account for the impact of institution-specific funding itself, since institutions previously receiving institution-specific funding would be able to demonstrate higher expenditure than others. By providing an opportunity for eligible institutions to give self-assessments of cost, these contextual points can be made.

8. Questions about the suitability of value for money reports were raised by three respondents. Use of the Transparent Approach to Costing was challenged by two respondents, but supported by two others. As outlined in the guidance, these sources of information will be used as part of a suite of information, including institutions' own commentary.

9. Six responses were of relevance to Criterion C. The most common issue (raised by five respondents) was the need for caution in judging institutions' efforts to manage costs effectively on the basis of collaboration and, in particular, shared services. Institutions will have the opportunity to provide contextual information to describe what other efforts have been taken, and if necessary, why collaboration or shared services have not been possible.

Annex C: Review panel membership

Listed below are those who have agreed either to form part of the review panel, or to act as associate panel members. Further associate panel members will be added when we have received details of institutions' referees.

Professor Sir Christopher Frayling, former Chair, Arts Council England

Professor Paul Gough, Pro Vice-Chancellor and Vice-President, RMIT University

Mr Ara Guzelimian, Provost and Dean, The Juilliard School

Sir Brian McMaster CBE, Former Director, Edinburgh International Festival

Ms Mist Thorkelsdóttir, Head of Department, Academy of Music and Drama, University of Gothenburg

Dr Charles Saumarez Smith CBE, Secretary and Chief Executive, Royal Academy of Arts

Mr Christopher Scoates, Director, Cranbrook Academy of Art and Art Museum

Professor Yrjö Sotamaa, Founder and past President, Cumulus (International Association of Universities and Colleges of Art, Design and Media)